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Alameda County,
BOARD OF SUPERVISORS

FRED F. COOPER
SUPERVISOR, THIRD DISTRICT

July 20, 1978

Eugene Lee
University of California
Institute of Governmental Studies
Berkeley CA 94720

Dear Gene:

I enclose a copy of the testimony I am giving in Washington next week. There will be a number of other people testifying at the same time so you might want to contact the committee to see if you can get a transcript.

Let me know if you have any questions or comments.

Yours truly,

Fred F. Cooper

FFC.g
enclosure

Cooper, Fred F.

*[U.S. House. Comm. on banking,
finance and urban affairs.
Subcomm. on the city]
Real property tax -- CA*

Expenditures, Public -- CA

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STATEMENT OF ALAMEDA COUNTY SUPERVISOR FRED F. COOPER
ON JULY 25, 1978 BEFORE THE
HOUSE SUB-COMMITTEE ON THE CITY

Members of the Sub-committee:

I appreciate this opportunity to appear and testify before you on what I see as some of the causes for the passage of Proposition 13 in California and several of the problems that led to its passage.

Perhaps the biggest single factor is the fact that the cost of local government, and county government in particular, is going up faster than the cost of living at the same time that individual taxpayers see their purchasing power eroded away through actions of the Arab oil countries, the consumer movement and the environmental movement. While we have had thirty years of inflation, throughout most of that period, people's purchasing power has increased more rapidly than their expenses, but in the last five years that has not been the case. People see their purchasing power each year being reduced, they look for someone to blame, and the tendency is to blame labor unions and business for raising prices, and to complain about property tax going up rapidly since it is one thing where they have some control. I do not think adequate attention has been paid to the fact that a major portion of the erosion in purchasing power is due to actions of the Arab oil countries, the environmental movement, and the consumer movement since all three result in our having to pay higher prices for products without the products being improved or being made more valuable in any way. Perhaps your committee can focus on the erosion of purchasing power in this country and the basic causes, since inflation is often blamed, but inflation in the 1950's and 1960's did not result in lower purchasing power.

A more direct cause of voter dissatisfaction with the property tax is the fact that it goes up substantially faster than the cost of living. Partly this is due to the fact that the cost of some things that counties purchase go up faster than the cost of living, particularly utilities and gasoline due to the oil crisis, but of course higher oil prices are built in to the cost of every item of goods and services purchased by counties, just as substantially higher medical costs are built into the price of every item of goods and services, because everytime you go to a grocery store

and buy a bag of potatoes you are contributing to the medical care of the grocer and his staff, the people who process and deliver the items, etc. Higher medical care costs should be added to my previous discussion of increased costs from Arab oil countries, and the consumer and environmental movements.

A major factor causing the county property tax to increase much faster than the cost of living is governmental mandates. These include the United States Congress, the California legislature, and both state and federal courts as follows:

1. The average length of a felony trial in Alameda County has tripled in the past fifteen years, from just over two days to over eight days. Mostly the increased length is due to decisions of the United States Supreme Court, and a substantial amount is due to decisions of the California Supreme Court, which require the courts to provide attorneys, provide time for hearings on a great many different things such as search and seizure, past records of police officers, discovery of evidence, etc. The increased length of trials requires more judges, more district attorneys, more public defenders, more clerks, more courtrooms, etc.
2. Mandates by the federal government increase local costs. Passage by Congress of unemployment insurance is increasing our costs, and even though the Fair Labor Standards Act application to local government was suspended by the Supreme Court, many jurisdictions including my own are continuing through labor negotiations to apply portions of that act to county operations at higher costs. The adoption by HEW of regulations for the disabled and handicapped a year and a half ago will eventually result in increased costs to local government, probably more than one-half in the schools, of \$10 billion to \$20 billion. In this area it is significant that the same taxpayers and newspapers that are criticizing local government in California for the high property tax were, a year and a half ago, quite sympathetic to the demonstrations by handicapped people in Senator Cranston's office in California and in Washington, when they were asking Secretary Califano to sign the regulation. The same people that urged that the regulations be signed are now complaining about having to pay the cost, and it might be useful to require an "economic impact report" before Congress passes legislation affecting local government, and before federal agencies adopt regulations that require changes in the operations of local governments.

3. A large portion of the increased property tax for Alameda County has been due to mandates by the legislature of the State of California. We have been required to fund increasing amounts each year for medical, AFDC, and adult welfare. State law and state regulations frequently require improvements and expansions in county programs, without supplying any funds. At the same time, when the state provides partial funding for local programs the state frequently provides no cost of living increase in their share of the program, for example the state has been paying the same \$95 per month for the care of juveniles in juvenile camps since 1953, leaving the county to pick up all increases in costs over the past 25 years.

I believe the above listed factors of reduced purchasing power and increased mandates by the courts and the state and federal governments apply fairly uniformly throughout the country, although I suspect that state mandates are less of a problem in states with low overall tax rates than they are in California. I would urge the Congress to look at the erosion of purchasing power over the past several years associated with the oil crisis, and the consumer and environmental movements, and to consider some sort of economic impact report on local government whenever Congress, or state legislatures, or the courts, mandate new programs or mandate improvements in existing programs.

If we look specifically at California and Proposition 13 we need to recall that over the past fifteen years the voters in California have rejected three similar measures to Proposition 13, two proposed by the former Assessor of Los Angeles County and one proposed by former Governor Ronald Reagan.

It is my feeling that three factors existed in 1978 that were not present when the voters rejected the three similar measures previously as follows:

1. The erosion of purchasing power on the part of most people has gotten most severe in the past two or three years, and results in frustration since inadequate attention has been paid to the problem and inadequate explanations given. People get frustrated when their purchasing power goes down, but the frustration is compounded by the fact that they are not sure who to blame, and is compounded further when they see their taxes increasing rapidly to provide additional services and benefits to people whom they feel are not carrying their full weight. So far, that frustra-

tration has not extended to dramatic increases in the Social Security tax to fund dramatically increased benefits to senior citizens, but unless there is better public understanding of what is happening I think we can anticipate in the next few years the same frustration directed at senior citizens as is presently directed at recipients of welfare.

2. The cost of housing, and particularly single family housing, has doubled in California in the past five years. This seems to be partly due to general inflation, and partly due to the environmental movement, which has kept the supply of housing down at the same time the demand increases, thereby causing market values to sky-rocket. Since property tax assessments are based on market value, the assessment of the average home has doubled over five years and therefore even with the same tax rate the amount of tax being paid has doubled. Because single family homes increase in market value much faster than commercial and industrial property, this has resulted in a shift of part of the property taxes from commercial and industrial properties to homeowners. It should be noted that the polls in California showed equal numbers of people voting against Proposition 13 as those in favor of it up through March of this year. When the increased assessments came out in April, public opinion shifted dramatically in favor of the Proposition.
3. The other major factor present this year in California that was not present previously was the fact that the state was sitting on a budget surplus of \$3 to \$4 billion at the same time that the state legislature and Governor were unable to provide the property tax relief that they had been promising for more than a year. Voter frustration increased as the taxes went up, as dramatically higher assessment notices were sent out in April, and yet the legislature and Governor were unable to keep their promises to distribute the surplus to solve the problem, at least until some time after Proposition 13 qualified. The fact that the legislature finally passed an alternative measure some months after Proposition 13 qualified for the ballot, made many voters feel that the legislature would not have done anything except under the threat of Proposition 13. It is of course significant that substantial portions of the state surplus were developed as a result of state mandates by both the legislature and administra-

tive mandates from the Governor that increased the property tax. If, instead of accumulating a large surplus, the state had used that money to fund the many mandates to local government which increased property tax, and to provide adequate funding for the state's share of partnership programs, the property tax would not have increased so dramatically and Proposition 13 might not have passed.

Congress could assist the states by studying state surplusses, by studying the impacts of the environmental movement on increased cost of housing, by attempting to help control inflation in housing costs, and by encouraging the use of state surplusses to fund state mandates, thereby reducing the need to increase local property taxes.

Local government in California through the passage of Proposition 13 has become almost totally dependent upon the state and federal governments for the funds with which to operate. This erosion of local control over local government is a dangerous thing because it will result in the inability of local officials to adjust local programs to meet local needs, will mean that only programs approved in Sacramento and Washington will be funded, and means that the most vital decisions for local government will be made by state and federal employees adopting and modifying regulations in Sacramento and Washington, rather than by people responsible to their local voters.

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